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Draft Reg. file

OGC Has Reviewed

Houston

24 June 1953

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[REDACTED]

Suggested Revisions of Proposed [REDACTED] as Result of our
Discussion of 23 June 1953

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1. There follows a suggested redraft of substantive changes
in proposed [REDACTED] Minor changes of form in
the interest of technical accuracy and clarity are shown on the
attached copy of proposed [REDACTED] by interlineations or marginal
notes.

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a. "Section 3. CONGRESSIONAL INTENT

In granting the extraordinary authority for the
expenditure of public funds as continuing authority
not requiring annual appropriation language, Congress
was voicing its determination to afford CIA all of the
means which might be required in the performance of its
mission, and, in effect, Congress gave recognition to
the following principles:

- a. Intelligence operations require the use of methods
which do not always conform to law or regulation.
No law could be drafted which would provide
specifically for all such circumstances.
- b. Power to withhold fiscal or other information
revealing the specific nature and methods of intel-
ligence operations, or the identities of persons so
engaged from unauthorized disclosure is essential to
a secure and effective intelligence service."

b. "Section 4. INTERPRETATION

Although the statutory provisions of Public Law 110
provide the authority to expend and account for all
Agency funds without regard to other Government
statutes and procedures, this authority was intended
by Congress to be used only for 'purposes necessary
to carry out its functions.' This is interpreted as
follows:

- a. Where security considerations do not require the
withholding of details of expenditures by certi-
fication of such expenditures on the signature of
the Director of Central Intelligence, Agency funds

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will be expended and accounted for in full conformance and compliance with the statutes and procedures governing the normal expenditure of Government funds. Funds so expended are identified as vouchered funds.

- b. Where the security of CIA operations would be jeopardized by disclosure of the details of expenditures or where the extraordinary or emergency requirements of CIA activities effectively preclude compliance with other statutes and procedures governing the expenditure of Government funds, Agency funds will be expended in accordance with the extraordinary latitude of Public Law 110 upon the certification of the Director of Central Intelligence."

c. "Section 5. DEFINITION

- a. Confidential Funds are those funds expended by CIA for necessary official purposes of such confidential, extraordinary or emergency nature that they cannot or should not be accounted for in detail outside of the Agency. These funds are expended under authorities and regulations prescribed by the Director, CIA, and are accounted for to the Department of the Treasury and the General Accounting Office without disclosure of the details involved solely upon the certification of the Director that the amounts indicated were properly expended for such purposes.
- b. Confidential Funds also include, but are not limited to, funds acquired as profits from proprietary and other operational activities, all foreign currencies, moneys, or negotiable instruments purchased with Confidential Funds or acquired as a result of unidentified collections, appreciation or gain through exchange, interest or dividends on deposits or investments, and sale of assets. They may include, furthermore, funds of other agencies or departments of Government which have been made available to CIA for expenditure on behalf of such other agencies or departments or for activities where there are joint interests."

d. "Section 7. GENERAL POLICIES

- a. CIA therefore has the constant task of maintaining a consistent balance with regard to its expenditures of Confidential Funds. On the one hand, the Agency is obligated to take full advantage of the extraordinary grant of statutory authority over funds in order to obtain maximum security for our operations, to maintain maximum flexibility and diversity in our approach

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to intelligence activities, and to remain aggressive in our ability and willingness to exploit fleeting opportunities to further our mission. On the other hand, CIA must fulfill its grave responsibilities and obligations to the President, Congress, and the American public for the effective and proper expenditure of public funds.

- b. This balance requires the establishment of certain basic standards or criteria which should govern every employee of the Agency in his relationship to activities involving the expenditure of Confidential Funds. These criteria are of far greater importance and significance than any specific Regulations or authorities which the Agency might prescribe for the control of its Confidential Funds. They are as follows:
 - 1. Confidential Funds may not be used for the solution of administrative difficulties common to Government. To the extent that Government policies may from time to time become out of step with general economic conditions and thereby impose temporary financial hardships upon Government employees, CIA will support legislative or procedural measures for appropriate relief. CIA will not, however, unilaterally use its special authorities to eliminate such temporary difficulties.
 - 2. Adequate administrative machinery has been established by the Director of Central Intelligence to resolve those cases which cannot properly be covered by specific regulation and which involve a determination whether Agency funds may be expended in the interests of national security and the national intelligence effort for a purpose which might by external standards be considered improper."

e. "Section 8. INDIVIDUAL RESPONSIBILITY

- a. All employees and officials of the Agency whose duties involve the expenditures of Confidential Funds are charged with the collective and individual responsibility to comply with the full spirit and letter of Agency Regulations prescribed by the Director to govern the use of such funds. The dual nature of this responsibility must be emphasized. It must be recognized further that in prescribing such regulations any attempt to provide for each case would be not only inadvisable but impossible. Each time it is found necessary to issue a restrictive Regulation, CIA risks the curtailment of its vitality, initiative, flexibility, and

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b. All employees and officials are further instructed to report to their command channel and to the Inspector General any instances wherein it appears that:

1. Confidential Funds are being expended contrary to the policies set forth in this and other governing Agency Regulations; or
2. Existing Regulations or fiscal procedures unreasonably endanger the security or impair the effectiveness of our operations."

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OGC:GHK:apf:jeb

cc: OGC chrono
OGC subject ✓
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